

# Update to Minnesota Registered Investment Advisors December 5, 2013

The Securities Section ("Section") of the Minnesota Department of Commerce is writing to provide an update on three issues involving the IAR registration program.

By way of background, in May 2013, the Minnesota State Legislature passed a law requiring registration of Investment Advisor Representatives (IARs) [Chapter 106 S--H.F. No. 1243](#). Throughout the summer, the Section met with numerous groups and received hundreds of communications regarding implementation of the new law. Based upon the input we received and our communications with FINRA and other states, guidance was provided throughout the summer. That guidance was ultimately adopted in the form of an [Amended Order](#).

The registration program employing the IARD system commenced on November 1, 2013 and the initial period for registering will end on January 31, 2014. To date, over 6,000 IARs have registered. The Section has been able to approve over 3,500 of these registrations and the Section continues to process applications. The purpose of this update is to inform you of three issues.

## 1) **The IARD System**

The Section has been advised by FINRA that, from December 26, 2013 through December 31, 2013, the IARD system will shut down. This means that IARs will be unable to register during that time period. The Section encourages IARs not wait to register. Obviously, if the Section receives a great number of registrations at the end of the initial registration period (January 31, 2014), its ability to process those applications in a timely fashion may be delayed. To the extent IARs can register before December 26, 2013, they are encouraged to do so.

## 2) **Examination Fees and Deficiency Notices**

The [Amended Order](#) describes certain testing requirements that are waived for IARs if they meet certain conditions and register before January 31, 2013. Furthermore, the legislation did not require the payment of any registration fees. Despite that, the IARD system is set up to automatically open up a Series 65 Exam window for certain registrants. Although this was anticipated, it has resulted in unnecessary exam windows being opened for IARs.

Of the approximately 6,000 IARs thus far registered, approximately 2,000 have received a deficiency notice regarding testing requirements. Of these, the Section has received 500 refund requests from firms which the Section will be working with FINRA to process. If you would like to receive a refund please send a list of the affected individuals with the following information, preferably in Excel to the Section at [securities.commerce@state.mn.us](mailto:securities.commerce@state.mn.us):

1. Firm Name
2. Firm CRD #
3. IAR Name
4. IAR CRD #
5. Post Date
6. Transaction Date
7. Transaction #
8. Amount

### 3) **Notices for Dually Registered IARs with Non-Affiliated Broker Dealer Firms**

The IARD system designates all dually registered individuals that are currently registered as a representative of an unaffiliated broker dealer firm. This has resulted in a “DEFICIENT” status for certain registrants. It is important to note that this does **not** represent a denial of registration, as some have suggested, but is simply an administrative issue.

Of the 6,000 IARs thus far registered, 113 have been placed in a queue for our registration personnel to approve. This has caused concern among the 113 individuals affected by this delay. Please understand that a deficiency status in the IARD system does not reflect a policy shift regarding these registrations. This merely reflects the fact that these registrations will need to be manually approved, which obviously takes more time than an automatic review. The Section is currently in the process of approving these registrations but remind IAs and IARs that, as required by law, they must properly disclose their business relationships to their clients.

The Section appreciates the communications which it has received. Because of the volume of activities the Section is currently engaged in, the Section would appreciate receiving written communications directed to our mailbox at [securities.commerce@state.mn.us](mailto:securities.commerce@state.mn.us). We can assure you that all communications received through our mailbox are read. During the next several weeks, it may be difficult for the Section to promptly respond to phone requests.

For additional information please visit the [Securities Registration and Enforcement Section](#) of the Minnesota Department of Commerce [website](#).